GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:835
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Impact of FDI in Aviation Sector
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Will the Minister of CIVIL AVIATION be pleased to state:

(a) the salient features of new civil aviation policy unveiled by the Government recently;

(b) whether the Union Government has called for 100% FDI in civil aviation sector,if so, the details thereof and its likely impact and benefits for aviation sector;

(c) whether the domestic investors and industries working in the aviation sector would be affected most by the decision of 100% FDI, if so, the details thereof;

(d) whether the Government could ensure to provide foolproof safety and security of the passengers by inviting 100% FDI, if so, the details thereof;

(e) the number of foreign companies shown their interest to invest in civil aviation sector in the country; and

(f) whether the Government proposes to form a Civil Aviation Authority and if so, the details thereof?

Answer

Minister of State in the Ministry of CIVIL AVIATION

(Shri Jayant Sinha)

(a): The Government has released the National Civil Aviation Policy (NCAP) 2016 on 15.06.2016. The NCAP 2016 covers the broad policy areas, such as Regional connectivity, Safety, Air Transport Operations, 5/20 Requirement for International Operations, Bilateral traffic rights, Fiscal Support, Maintenance, Repair and Overhaul, Air-cargo, Aeronautical "Make in India". The broad key features of the NCAP are as under:

i) VGF for operation under Regional Connectivity Scheme (RCS).

ii) Revival of un-served or under-served routes under RCS.

iii) Introduction of a new Category "Schedule Commuter Operator" under Commercial Air Transport Operations.

iv) Rationalization of Category-I routes under Route Dispersal Guidelines (RDGs) on the basis of criteria given in NCAP 2016.

v) The requirement of 5 years and 20 aircrafts for international operation has been modified to 0 years and 20 aircrafts or 20% of the total capacity (in terms of average number of seats on all departure put together) whichever is higher for domestic operations.

vi) Liberalization of domestic code share points in India within the framework of ASA.

The National Civil Aviation Policy, 2016 has been formulated after extensive consultation with all the stakeholders.

(b) to (e): With a view to aid in modernization of the existing airports to establish a high standard and help ease the pressure on the existing airports, 100% FDI under automatic route has now been allowed in Brownfield Airport projects. This move would also serve in further developing the domestic aviation infrastructure.

Further, FDI limit for Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline and regional Air Transport Service has been raised from 49% to 100%, with FDI up to 49% permitted under automatic route and FDI beyond 49% through Government approval. For Non-Resident Indians (NRI"s), 100% FDI will continue to be allowed under automatic route. However, foreign airlines would continue to be allowed to invest in capital of Indian companies operating scheduled and non-scheduled air transport services up to the limit of 49% of their paid up capital and subject to the laid down conditions in the existing policy. Increasing the FDI limit for these aviation services shall not only encourage competition by lowering prices but shall also accord choice to consumers.

Moreover, FDI policy as contained in the "Consolidated FDI Policy Circular of 2016", as amended from time to time, is subject to the conditions of the extant of the policy on specified sectors and applicable laws/ regulations; security and other conditionalities. Accordingly FDI policy on Civil Aviation sector is also subject to sectoral and security conditions.

(f): The Civil Aviation Authority is not required at present.